local Govt

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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

30th November 1981

Dear Mike

REORGANISATION OF THE WELSH WATER AUTHORITY

... I enclose three copies of the final text of the statement which my Secretary of State will make in the House this afternoon immediately following the Prime Minister's statement.

/ A copy of this letter and the statement (six copies) go to Murdo Maclean at No 12, and copies also go to the Private Secretaries to the Chancellor of the Exchequer, the Leader of the House, the Chief Whip in the Lords, all members of E(EA), the Minister of State for Consumer Affairs, Sir Robert Armstrong and the Chief Press Secretary at No 10.

Yours ever

John Craig

J F CRAIG
Private Secretary

Mike Pattison Esq
Private Secretary
No 10 Downing Street
LONDON

STATEMENT ON THE REORGANISATION OF THE WWA

Hon Members will recall that in July this year I issued a consultation document proposing changes in the structure of the Welsh Water Authority. My main proposal was for a reduction in the membership of the Authority from its present 35 to about 10 members. I also put forward three possible options for safeguarding the interests of consumers: first, the appointment of local committees based on the WWA's seven divisions; secondly, a single committee for the whole WWA area; thirdly, consumer representation on the WWA itself.

I have now considered the responses - over 100 in number - to the consultation document. Apart from the local government bodies a majority favoured the proposal to reduce the size of the Authority, and most responses also preferred my first option for consumer representation.

However, in recognition of the arguments put forward by the local authority organisations I have decided that the Authority should be somewhat larger than the number I originally proposed. Instead of 10 members I now intend, subject to Parliamentary approval, to appoint 13 members. Of these, one will be the chairman, two will be appointed for their knowledge of fisheries and land drainage respectively, four will be appointed to represent the interests of county and district councils, and the remaining six to provide the widest possible expertise including experience in management, finance, business (including agriculture), industrial relations or personnel matters. A board of 13 members, plus the Chief Executive who would normally attend their meetings, will I believe be small enough to secure the speedier decision making and other improvements in management which I regard as necessary.

As regards the consumer interest I have decided in favour of a modified form of the first option set out in my consultation paper. I propose to ask the Authority to set up five local consumer advisory committees covering district council areas approximating to the various WWA divisions or combinations of them. I envisage that consumer, agricultural, industrial, commercial, local government, and amenity interests will be represented on these committees, the membership and functions of which will be laid down in guidelines drawn up by my Department in consultation with the various interests concerned. These arrangements will be subject to review in due course in the light of wider decisions by the Government on the structure of consumer representation in publicly owned industries generally.

My proposals relating to the membership of the Authority itself will need to be implemented by means of an Order (subject to the affirmative resolution procedure) made under sections 2 and 3 of the Water Act 1973. I will lay the draft of such an Order before Parliament tomorrow.

Local Govt

Welsh Water Authority

4.7 pm

The Secretary of State for Wales (Mr. Nicholas Edwards): I should like to make a statement on the reorganisation of the Welsh water authority.

Hon. Members will recall that in July this year I issued a consultation document proposing changes in the structure of the Welsh water authority. My main proposal was for a reduction in the membership of the authority from its present 35 to about 10 members. I also put forward three possible options for safeguarding the interests of consumers: first, the appointment of local committees based on the WWA's seven divisions; secondly, a single committee for the whole WWA area; thirdly, consumer representation on the WWA itself.

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Mr. Alec Jones (Rhondda): As I am sure the Secretary of State will realise, most of us on the Labour Benches cannot understand the undue haste in connection with the reorganisation of the Welsh water authority. The consultation document was issued on 27 July. The deadline for observations was 11 September, 46 days afterwards and that included the holiday period, which certainly affected local Government. In addition, an order will be placed tomorrow regarding the membership of the authority. Is the Secretary of State aware that the order is being placed exactly one day before the Secretary of State for Wales meets the Select Committee on Welsh Affairs to discuss this matter?

Does the right hon. Gentleman accept that it seems to the Opposition that if there is an urgent problem affecting the water authority in Wales, it is not one of organisation and structure but of the level of charges that the authority has to impose now that the equalisation Bill has been withdrawn?

A membership of 13 for the council is better than 10, but the reduction in members of the authority from 35 to 13 is going too far. Does the right hon. Gentleman accept that that number does not enable the authority adequately to represent the various interests in Wales and that four places for county and district councils is not adequate?

My reading of the proposals for the membership of the authority is that the Secretary of State will make all the appointments. May I remind him of the comments made by the Conservative Party when it was in Opposition about the number of quangos set up by the Labour Government? Is not the Secretary of State now making the strongest quango in Wales and one that is under his direct control?

Does the Secretary of State agree that local consumer advisory committees are desperately important to us and that it is a pity that the statement did not include guidelines that would have given us details of both the membership and function of the committees? I regret that there is no suggestion of an all-Wales consumer body because the Labour Party holds the view that there are all-Wales issues that affect consumers generally inside Wales. They should have some representation on consumer matters.

The consultative document suggested that the local consumer advisory committees could be something akin to the community health councils. Is the Secretary of State aware that most people to whom I have spoken believe that the community health councils are toothless tigers and do not wish to see the same happen in the water industry?

Will the Secretary of State delay the introduction of the order until those who are interested have had the opportunity to comment on it and certainly until the guidelines that he mentioned have been seen by those directly affected?

Mr. Edwards: I cannot accept the accusation of undue haste, as we put forward the proposals on 27 July. Responses to the document were asked for by 11 September. We extended that period for a large number of individuals and took account of representations after that date. I met local authority organisations on 1 October. There will be a further opportunity for consideration before we debate the proposals.

My hon. Friend the Under-Secretary will be giving evidence to the Select Committee this week. The practice of Government has always been that they must be allowed to proceed with their legislative programme, even if a Select Committee subsequently decides to look into the matter. Subsequent to our putting forward the original proposals the Select Committee took the decision to examine the subject of water generally.

The level of charges is a matter of concern to everybody. Precisely because of that, I wanted to strengthen the management arrangements of the authority.

budgetary matters, and in view of the fact that the Arab summit at Fez terminated somewhat abruptly, is it not more important for the EEC to continue its foreign policy initiatives, particularly the Venice declaration, regardless of obstruction by Israel and the United States Government as a possible way of achieving peace in this dangerous area?

The Prime Mininster: We are very well aware of what happened at Fez, but as we had issued a few days previously a statement, agreed with the Ten, about our attitude to Middle East problems and to the Sinai force, we did not feel that we had anything else to say. The hon. Gentleman will be aware that we agreed to respond to the invitation of the United States and Egypt to offer a small contingent for the Sinai force under the terms of the Israel-Egypt treaty, but we said at the same time that we, the Ten, were signatories to the Venice declaration. That declaration persists, and we hope to take it forward. We had nothing fresh to say on top of that.

Mr. Robin Maxwell-Hyslop (Tiverton): Did my right hon. Friend raise the matter of Greece, and were any decisions taken about Greece, in the light of the statement by Mr. Papandreou that his Civil Service would not enforce any Common Market regulations that might be to the disadvantage of Greece? Has it been made quite clear that if Greece withdraws from the EEC she cannot expect to keep any of the advantages that she had whilst she was a member?

The Prime Minister: We did not refer to that matter. Greece is still a member of the EEC, and is obviously trying to get as reasonable a deal as she can. Clearly she was particularly concerned with the debates and arguments about Mediterranean products. Mr. Papandreou took a considerable part in our discussions, and I imagine that Greece is considering her future very carefully, as it is clear that membership of the EEC offers clear advantages, not only for each country but for the EEC as a whole.

Mr. David Stoddart (Swindon): Does not the Prime Minister agree that the Genscher-Colombo proposals for greater political union are tantamount to suggesting a federal European State in which this country and this Parliament would lose much of their sovereignty? Is the right hon. Lady aware that there is no mandate in this country for such a federal union, that there is no support for it in the House, and that she herself has expressed opposition to it? So there is little support for it. As she has expressed her opposition to a federal European State on previous occasions, why did she not kill the proposal stone dead?

The Prime Minister: First, I do not believe that the proposals amount to a federal European State. Secondly, in my opinion, the idea of a federal European State would not have a ghost of a chance of getting anywhere.

Mr. Teddy Taylor (Southend, East): If the lack of agreement on two major issues—contributions and the CAP—continues, would my right hon. Friend be prepared to consider proposing to resolve the matter by winding up the CAP, even if that meant an alteration of the treaty? Secondly, as fishing negotiations will take place before the next meeting of the Council, can she give a clear assurance that this Government will never agree to an agreement which does not include a 12-mile exclusive limit?

The Prime Minister: The fishing negotiations were to be held this week, but they have been postponed until mid-December because of the election in Denmark. I cannot say what will finally emerge, but I am convinced that my right hon. Friend the Minister of Agriculture, Fisheries and Food and the Minister of State will get a fair deal for our fishermen.

My hon. Friend well knows that the CAP is of great advantage to a number of member States. It emerged from discussion that States were prepared to follow prudent pricing policies to ensure that European and world prices came closer together. If we can get agreement in that respect, we shall ensue that less money is spent on disposing of surpluses in the CAP. If it is further agreed that agriculture is run in such a way that structural surpluses are not created, many of the problems of the CAP will be considerably diminished.

The right hon. Gentleman referred to appointments being made by the Secretary of State. They will be made after widespread consultation. The original system, under which 20 members of the 35-strong authority came from the local authorities, does not provide an effective control system or proper consumer consultation. I shall certainly bear in mind the suggestion that the guidelines should be published before the order is debated. If it is possible, I shall seek to do that for the help and guidance of the House.

I note what the right hon. Gentleman says about an all-Wales body. A clear majority of representations were in favour of the solution that I have adopted, or something similar. I remind the right hon. Gentleman that the Welsh water authority's responsibilities cover parts of England as well as Wales.

Many community health councils will resent the way in which the right hon. Gentleman derided them as toothless tigers. During consultation on the reorganisation of the Health Service we received wide representations in favour of maintaining community health councils, including some from the right hon. Gentleman, who then said that the councils were extremely important for the Health Service.

Several Hon. Members *rose*——

Mr. Speaker: Order. If hon. Members are as brief as Welsh Members usually are, I hope to call all those who have been standing up.

Mr. Tom Ellis (Wrexham): Does the Secretary of State accept that members of an authority who are established almost exclusively on personal criteria are almost bound to take a corporate rather than a representational view of their duties? Does he also accept that the appointment of four additional members from local authorities will perpetuate the confusion about the authority's precise role, and that for a genuine marriage of local democracy and operational efficiency a more radical solution is required?

Mr. Edwards: I cannot accept that the presence of four members from local government will have the adverse consequences suggested by the hon. Gentleman. I am sure that they will seek to carry out their corporate responsibilities as well as any other members of the authority. The view of the Monopolies and Mergers Commission in its report on the Severn-Trent authority was that the previous cumbersome structure inherited from local government, with its variety of committees, was totally unsatisfactory for managing a business such as the water industry.

Sir Anthony Meyer (Flint, West): Is my right hon. Friend aware that most of my constituents think that the Welsh water authority is a cumbersome and over-large organisation and that they will be pleased that he is doing something about it quickly? However, is he also aware that they will not be impressed by members of the Labour Party who seem to want the Government to do nothing and whose remedy seems to be to advocate the formation of larger committees?

Mr. Edwards: I thank my hon. Friend. As the MMC report said, the size of the Severn-Trent authority resulted in a complex committee structure requiring expensive administrative and other support services. One of the benefits that I hope to obtain from the reorganisation is a saving of about £100,000 a year on administration alone.

Mr. Geraint Howells (Cardigan): Does the Secretary of State agree that if the reorganisation of the Welsh water authority is to run smoothly and successfully he must give an assurance to the people of Wales that they will pay less for their water than their counterparts in England? They have paid more in past years. Will he also give an assurance that the land under the jurisdiction of the Severn-Trent authority will be handed to the Welsh authority? Why does not the Secretary of State introduce a system of election for members of the authority instead of appointing them?

Mr. Edwards: The hon. Gentleman refers to the cost of water. I do not believe that the best way to lower charges in such an industry is to have an elected membership for the authority. It is important to select members on the basis of the wide management and business experience which they can bring to the task. I can, of course, give no assurance about charges, but one of the objects of the operation is to improve organisational efficiency. We were finding it increasingly difficult, with the previous cumbersome structure, to attract the type of people who were likely to run the organisation efficiently because people were not prepared to work in such an organisation. As to the hon. Gentleman's suggestion that we should change the geographical boundaries for which the authority is responsible, we have no proposals to do so.

Mr. Edward Rowlands (Merthyr Tydfil): Is the right hon. Gentleman aware that what matter most are the prices and charges made by the Welsh water authority, especially now that it is going over to direct billing? When will the right hon. Gentleman make a statement about the greater equalisation of water charges throughout the United Kingdom, because within the Welsh water authority, consumers are paying very nearly the highest charges?

Mr. Edwards: The Government have made their position plain on previous occasions. We replaced a system which, far from providing for the equalisation of water charges, transferred considerable resources to those authorities that did not need them from authorities that did.

Mr. Tom Hooson (Brecon and Radnor): My right hon. Friend's statement is consistent with the recommendations of the Monopolies and Mergers Commission regarding Severn-Trent, which is a comparable body. The plan has been endorsed by the chairman of the Welsh water authority, which will commend it to many people in Wales. Will my right hon. Friend answer one question to clarify the responsibility of members of the authority in respect of the new local advisory committees? Does he intend that one director should be particularly responsible for the areas of each of those five committees?

Mr. Edwards: There is no intention to break up board responsibility in that way, but it is intended that those consultative committees should have access to senior management and to the chairman and members of the authority's board. Therefore, they will have the right to make their views effectively known to the authority.

Mr. Dafydd Wigley (Caernarvon): I thank the Secretary of State for making this statement to the House rather than to the very select Select Committee on Welsh affairs, because an opportunity is thereby given to less select Members to join in. Answerability is a big problem for the people of Wales. Will there be any requirement for

[Mr. Dafydd Wigley]

the 13 members to visit the advisory committees, so that there is some liaison? Will the Secretary of State tell us whether there will be any geographical balance among the 13 members, and say why there are only five, rather than seven, advisory committees? Might there not have been a stronger argument for eight committees and for saying that they should be related to the county councils and therefore have some relation to directly elected members?

What is the likelihood of the 13 members of the authority, receiving payment, in view of the £20,000 per annum salary of the part-time chairman? Finally will there be an opportunity to debate the order on the Floor of the House?

Mr. Edwards: There will be an opportunity to debate the order on the Floor of the House. With regard to payments, changes in the arrangements are not possible under existing legislation, but they could be considered at a future date, if we should decide to legislate further.

On the questions of answerability and geographical balance, in making the selection I shall certainly have in mind the desirability of members coming from different parts of Wales, but there will be no need for individual members to be responsible to particular parts of Wales. They will act as a collective board, taking collective decisions. I shall explain the arrangements for the consultative councils in greater detail when the House debates this issue. We considered the proposal that they should be based on county council boundaries, but there is no correlation between county council boundaries and the operating divisions of the water authority. With regard to the proposal to reduce the number of bodies, there are at least a number of divisions that fall naturally together, and the decision to bring them together makes the relationship to the county councils in those particular cases, rather easier than it would otherwise have been.

Mr. Ioan Evans (Aberdare): When will the new Welsh water authority begin its duties? Does the right hon. Gentleman realise that Welsh local authorities will be deeply disappointed—because they have been strongly represented in the past—that 36 districts and eight counties will have only four representatives altogether? Is the right hon. Gentleman prepared to reconsider that point, as the Select Committee on Welsh affairs is looking at the whole issue and will be taking evidence from those local authorities?

Mr. Edwards: I hope that the authority will take over in its new shape from 1 April, which will coincide with the appointment of a new chairman. I have considered local authority representation carefully. My original proposal was that there should be no direct local authority representation. I now propose to have four such representatives. There were several possibilities. We considered having two representatives. However, I felt that if we had four representatives there would be a reasonable chance that the interests of the districts and counties would be taken into account. There was also the possibility and desirability that the interests of the English parts, covered by the Welsh water authority, would be taken into account. I remind the hon. Gentleman that every district and county will be represented on the consultative bodies, at a consultative level.

Mr. Delwyn Williams (Montgomery): Will my right hon. Friend note that I welcome his statement? Does he think it prudent or tactful to make the statement today? Does he not think that accusations will be levelled at him, saying that his statement has shown some discourtesy towards the Select Committee?

Mr. Edwards: The simple fact is that I announced my intentions in July, before the Select Committee on Welsh Affairs decided to consider the subject of water. It has always been the practice that the Government put forward their legislative programme and proceed with it—if they can get the consent of Parliament—whatever Select Committees may subsequently decide to do. It is probably not possible for the Select Committee to produce its report in time for us to proceed before the chairman retires. However, I shall take note of any deliberations that take place in the Select Committee during the intervening period. I have made a statement on the Floor of the House and have had widespread consultations. The matter will be debated in the House so that Parliament, including members of the Select Committee, will have every opportunity to make their views known.

Mr. Donald Anderson (Swansea, East): Is the Secretary of State aware that when the Select Committee embarked on the current inquiry no sign was given that a decision was imminent? Therefore, the Secretary of State has acted with an unnecessary urgency, which has been caused only by the chairman's impending retirement. It has been suggested that one of the vice-chairmen should have specific responsibility for consumer interests. Does the right hon. Gentleman accept that?

Mr. Edwards: I cannot accept what the hon. Gentleman said about timing. I have made my intentions clear from the beginning. Indeed, I made them clear when we began consultations and when I made my original statement to the House. The right hon. Member for Rhondda (Mr. Jones) has pointed out that I had laid down the date by which responses should be received. Since then, I have extended the date.

The hon. Gentleman asked about a vice-chairman or other member of the board having specific responsibilities. I decided against that course. Emphasis on consumer consultation should be made at the divisional level. Those bodies should have a right of access to the chairman and a right to make their views known to the board. It would not be right to place that responsibility on one member of the board.

be MR GOW

Local Govt.

10 DOWNING STREET

From the Private Secretary

27 November 1981

Welsh Water Authority: Reorganisation

Thank you for your letter of 26 November about your Secretary of State's wish to make an oral statement on the above proposals.

The Prime Minister is content that he should do so on Monday. As I told you he would be following her planned statement on the European Council.

The Prime Minister has no comment on the draft.

I am sending copies of this letter to Nicholas Huxtable (Lord President's Office), Michael Pownall (Chief Whip's Office, House of Lords), Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

M. A. PATTISON

John Craig, Esq.,
Welsh Office.

cc Mr Ingham
Mr Vereker

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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

Prime Minister

Are you happy for this announcement to be made as an oral statement? Mr Edwardes would follow you on Monday.

MAP 26/11

Yes mt

26th November 1981

Dear Mike

WELSH WATER AUTHORITY: REORGANISATION

My Secretary of State wishes to make an oral statement in the House on his proposals for the reorganisation of the Welsh Water Authority. I attach a draft.

In a letter of 16 November, Mrs Oppenheim asked that when he makes his announcement my Secretary of State should make it clear that the arrangements for consumer advisory committees will be subject to review in the light of decisions on the structure of consumer representation in the nationalised industries generally. He will certainly do this. Mr Edwards will also bear in mind the points which Mrs Oppenheim made on the composition, aims and method of appointment of the committees, and the comments made by Mr Brittan in his letter of 13 November.

My Secretary of State would like to make the statement at the end of Oral questions next Monday, 30 November. He would be grateful for the Prime Minister's agreement to the statement being made and I would be grateful if any comments could be telephoned to my office as soon as possible. Mr Edwards aims to lay the draft Order (which is subject to the affirmative resolution procedure) shortly.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Leader of the House, the Chief Whips of the Lords and Commons, all members of E(EA), the Minister of State for Consumer Affairs and Sir Robert Armstrong.

Yours ever

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However, in recognition of the arguments put forward by the local authority organisations I have decided that the Authority should be somewhat larger than the number I originally proposed. Instead of 10 members I now intend, subject to Parliamentary approval, to appoint 13 members. Of these, one will be the chairman, two will be appointed for their knowledge of fisheries and land drainage respectively, four will be appointed to represent the interests of county and district councils, and the remaining six will be people with experience in management, finance, business (including agriculture), industrial relations or personnel matters. A board of 13 members, plus the Chief Executive, who would normally attend their meetings, will I believe be small enough to secure the speedier decision making and other improvements in management which I regard as necessary.

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Mr Pattison cc T. Cowan

cc Mr Ingham
Mr Vereker

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DEPARTMENT OF TRADE
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With the Compliments of

the Minister of State
for Consumer Affairs Office

CS 178

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From the
Minister of State
for Consumer Affairs
The Rt Hon Sally Oppenheim MP

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales
Welsh Office
Gwydyr House
LONDON SW1A 2ER

16 November 1981

Dear Nick -

Thank you for sending me a copy of your letter of 6 November to Patrick Jenkins about the reorganisation of the Welsh Water Authority.

My own interest in this of course touches the arrangements for the representation of consumer interests. Of the three options floated in the consultative document published in July, my preference would ideally be for the appointment of a member to the new Authority with special responsibility for consumer interests, as an interim measure pending wider decisions on the current NICC review. I recognise however that such decisions will not be taken for some little time and that this option attracted little support in the consultations. In these circumstances I can go along with the alternative arrangements you propose - the appointment by the WWA itself of five district committees, under the powers available in the Water Act - provided it is made clear when the new scheme is announced that these arrangements will naturally be subject to review in due course in the light of wider decisions on the structure of consumer representation in the nationalised industries generally.

I have three other points, First, I note that local authorities will be represented on the new committees. It will I think be important to ensure that they remain very much a minority interest, bearing in mind that experience with the NICCs suggests that local authority nominees tend to be the least effective element in consumer bodies.

Cont'd.

Secondly, you do not indicate how large the new committees will be: but you intend I hope to keep the numbers small.

Finally, though I accept that the nature of the powers available under the Water Act makes it necessary for the new bodies to be appointed for the time being by the WWA itself, I do not regard this as a satisfactory long-term basis for the appointment of consumer watch-dogs in the nationalised industries; and I am sure that it is a point we will need to look at again when we settle the structure of new NICC arrangements.

I would be grateful if your officials could be in touch with mine in due course about the guidelines you will be issuing on the operation of the new consumer committees. This is a matter in which we of course have a considerable interest, not simply because of my wider NICC responsibilities but more because this will provide valuable experience in using the guidelines route rather than detailed statutue to indicate what we want such bodies to do.

Yours ever
Sally

SALLY OPPE

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Edwards MP
Secretary of State
Welsh Office
Gwydyr House
Whitehall
London SW1A 2ER

13 November 1981

Dear Secretary of State,

REORGANISATION OF THE WELSH WATER AUTHORITY

Thank you for copying to me your letter to Patrick Jenkin of 6 November.

I still have some reservations about your proposals, but do not wish to object to your going ahead with them.

The board you propose is still larger than I think would be ideal; but I can see it would be difficult to reduce the numbers further if it is your judgement that there must be some local authority representation. The main thing, however, is to choose the right people, and I would hope that even the local authority, land drainage and fisheries representatives whom you appoint would be selected for their personal qualities and expertise, and not just for the vested interests which they represent.

I also have misgivings about your proposed consumer committees. Certainly I cannot see them acting as informed or influential critics of the authority's financial policies or bringing effective pressure to bear for greater efficiency and cost consciousness, as I would expect a smaller more highly qualified body to do.

However, subject to John Biffen's views, I do not wish to press either point further if that will delay the reorganisation of the Authority, providing Michael Heseltine does not feel constrained to adopt similar arrangements for the English authorities. I do think we need to leave open the option of modifying both the board structure and the consumer arrangements if, when we come to discuss the reorganisation of the English authorities we conclude that there is a better solution.

I am copying this letter to recipients of yours.

Yours sincerely

LEON BRITTAN
[Approved by the Chief Secretary
and signed in his absence]